Proceedings of the Mysore Representative Assembly.

BUDGET SESSION—JUNE 1932.

FIRST DAY—*Monday, 6th June 1932.*

The Budget Session of the Mysore Representative Assembly was held in the Jaganmohan Palace Pavilion, Mysore, commencing at 12 NOON on Monday, 6th June 1932.

The Dewan and Members of Council took their seats at 12 NOON.

The names of members present are given in the Appendix.

The proceedings were opened by the Dewan with the following Address :—

MEMBERS OF THE REPRESENTATIVE ASSEMBLY,

It is now my duty to address you on the subject of our Budget, to review briefly the figures for the year that is closing, and to indicate to you the financial prospect, as we now see it, for the coming year.

Since we met last, the world has been economically shaken to its foundations but I shall not weary you by discoursing on the world's economic afflictions and their cure. We here are only concerned with the effect which they must have on our own finances.

To take only a few principal items in our Budget, the falling off in Sandal Oil business which is no small item in our income, and in the Forest and Railway receipts, and the loss we are still incurring at Bhadravati are all caused by adverse factors which we cannot control, and which we shall have to wait to see eliminated by wise political and monetary action, both national and international.

Current Year's Revenue and Capital Transactions.

Before explaining to you our Budget programme for 1932-33, I shall, as usual, briefly review the anticipated results of the current year's revenue and capital transactions.

While framing the Budget in June last, we expected to realise a total revenue of Rs. 379 lakhs and programmed for an expenditure of Rs. 377 lakhs, leaving a surplus of Rs. 2 lakhs. The revenue returns in the early part of the year indicated that the estimates under some heads were too sanguine. According to the forecast placed before you in October last, the shortage in revenue was expected to be as much as Rs. 30 lakhs. The several measures of economy that had already been adopted or were in contemplation to counteract the Budget dislocation were also explained at the time.

The actual position, judging from the figures so far available, is that the revenue is likely to fall short of the Budget estimate by Rs. 30 lakhs, while the decrease in expenditure will be only Rs. 9½ lakhs. The result of the revenue account of the year will thus be that, instead of a surplus of Rs. 2 lakhs as anticipated, we shall probably be left with a deficit of Rs. 18½ lakhs. This deficit is arrived at after providing for the usual sum of Rs. 19 lakhs for debt redemption. If allowance be made for this factor, the position really is that the revenue incomings are just sufficient to meet current expenditure, and that in view of the abnormal economic conditions, we shall not be able to save from current revenues any money for the reduction of our debt.

The fall in revenue is mainly under three heads, *viz.*—

				Rs.
Forest	...	...	...	13 lakhs.
Excise	...	...	...	8 ,,
Railways	...	...	...	9 ,,

In view of the changes in the operation of the Iron Works which were in contemplation when I addressed you in June last, it was hoped that the revenue account of this concern during the current year would be one of balance. But it is now reported that there will be a loss of Rs. 1·68 lakhs in the operation account of the current year and of Rs. ·84 lakhs in the following year. It is proposed to write off these losses in the general accounts.

The question of the manufacture of steel is still under examination.

Expenditure in 1931-32.

Turning now to the expenditure side, I may invite your attention to the fact that the policy of contraction is reflected in the Revised figures under almost all the heads. The

several measures of retrenchment and economy sanctioned by Government are detailed in the Explanatory Memorandum of the Financial Secretary, and it is unnecessary for me to dilate on the subject here. As already stated, the expenditure charged to revenue will show a decrease of Rs. 9½ lakhs; and I may add that the capital outlay in the Revised estimate will be Rs. 15½ lakhs less than the Budget figure.

Budget Estimates for 1932-33.

I shall now pass on to the Budget of the coming year. The prospect of an early restoration of normal trade conditions does not seem very bright at the moment and it is not, therefore, safe to count on any material improvement in revenue over the level of the Revised estimate. The scope for additional taxation is also very little. All possible economies have been effected having regard to the needs—present and future—of the administration.

We have framed the Budget of next year for realising a total revenue of Rs. 353 lakhs and have provided for an aggregate expenditure charged to revenue of Rs. 363 lakhs. The revenue position will thus be one of a deficit of Rs. 10 lakhs. Nobody would have been more pleased than myself if it had been possible to place before you a fully balanced Budget. I feel that it is not possible to bridge this gap immediately without curtailing several activities and seriously dislocating the Government machinery. I need hardly add that Government fully realise that the pursuit of public economy is an absolute necessity. It is their intention to effect further reduction in public expenditure till the Budget equilibrium is fully restored.

I shall now briefly explain the main features of next year's revenue and expenditure estimates.

Entertainments and betting on horse races are subject to a tax in several British Indian Provinces. It is proposed to introduce these taxes in Mysore. The betting tax will be a State levy, while the tax on entertainments will be included in the list of taxes which may be assigned to Local Bodies. In the Budget before you, we have anticipated an income of Rs. 50,000 from the betting tax.

The estimates under all the important heads of revenue are mostly based on the revised anticipations of the current year, after making due allowance for ascertained factors. We have assumed some improvement in three heads of revenue only.

The arrears under Land Revenue outstanding at the end of the year will be somewhat heavy, and in the hope of collecting some portion of these during the next year, the Budget figure is placed at about Rs. 2 lakhs over the Revised.

Several measures are being adopted for improving the sales organisation in the Sandal Oil business, and an improvement of about Rs. 3½ lakhs is expected in the gross receipts from the Sandal Oil sales.

As the result of economies effected in the working expenses of the Railways, and also of the measures that are being adopted for improving facilities for passenger traffic, now affected by bus competition, the Railway Department hopes to realise an increase of Rs. 6 lakhs during next year.

Contributions amounting to Rs. 1·31 lakhs are expected to be received from the Palace and the Budget counts on this special receipt.

Turning next to the expenditure side of the Budget, the grants have been fixed after a full consideration of the urgent demands of the various departments. Drastic reductions have been made in all controllable items. The total expenditure provided for in the Budget is about Rs. 5 lakhs less than the Revised estimate. In the past year (1930-31) for which the accounts have been made up, the total expenditure on revenue account was Rs. 398 lakhs. The Budget of next year provides for an outlay of Rs. 363 lakhs, thus showing a reduction of Rs. 35 lakhs or about 10 per cent in the space of two years.

It may be a matter of interest to you to know that this is the standard of expenditure which the Retrenchment Committee, after a careful examination of the State's finances, wanted the Government to adopt.

Capital Outlay for 1932-33.

The grant for Capital Works for the ensuing year has been fixed at Rs. 38·74 lakhs, distributed as follows:—

	Rupees in lakhs.
Railways—	
Open Line and Construction	10·75
Krishnarajasagara—	
Dam and Irwin Canal Works	14·00
Electrical Works	7·00
New Bangalore Water Supply Project ...	5·00
Sandal Oil Factory and other Industrial Works ...	·99
Iron Works	1·00
Total ...	38·74

The allotments for the Capital departments are all intended for completion of sanctioned works in progress as well as for expansion and development of works in operation. The Budget does not provide for any new work of magnitude.

Financial Prospect.

I have now presented to you the main features of our Revenue and Capital transactions during the present and following years.

The treasury deficits to which I have referred need cause no alarm. We are fully prepared to meet them with our present resources. It is not proposed to resort to public borrowing in the coming year. Our credit in the Security market is high and our financial measures will be suitably devised to maintain it. The Capital assets that have been so far built up are worth 15 crores and the income derived from them fully covers the interest and sinking fund charges and leaves also a surplus of Rs. 10 lakhs for the benefit of the Administration. The nett debt for the service of which the income of these properties may be said to be hypothecated is a little over Rs. 5 crores, or about 1½ times the annual revenues of the State.

I am confident that the means at our disposal will be adequate to meet finally our entire obligations, if need be, as and when they fall due.

From the review which I have given you of the State's financial position, you will, I hope, realise that it is quite sound and stable. Given anything approaching reasonable conditions, we can look forward to the future with confidence.

Federal Finance.

I am sure you would like me to say a few words on the subject of federal finance with particular reference to the report of the Federal Finance Committee which was published a short time ago.

The financial prospects of the State under a scheme of Federation are a subject of anxious thought to us. We have all along accepted the position that Mysore, in common with other States, should be prepared to shoulder whatever burdens the new status might legitimately call for. But we cannot be expected to reconcile ourselves to the continuance of obligations of an obsolete character, wholly inconsistent with that status.

Report of the Federal Finance Committee.

The report of the Federal Finance Committee has unfortunately created the impression that the committee is opposed to the abolition of tributes. Whether that impression is correct or not, it does seem strange that the committee should have little to say on the subject, except by way of hinting at possible difficulties. A committee which has made so many other and bolder assumptions might well have risked another by allowing for the extinction of payments made by the various States to the Government of India. In doing so, it would have had behind it the authority of the Peel Committee and the Federal Structure Committee, on whose reports its labours are professedly based. On the other hand, if the committee felt any delicacy in alluding to a subject which was still under investigation by another expert committee, it might have had the fairness to desist from prejudicing the issue by a depreciatory gesture.

The Federal Structure Committee expressed the view in very clear terms that, generally speaking, there would be no place for contributions of a feudal nature under the new Federal Constitution, and that they should be wiped out.

The Peel Committee also made a very definite recommendation, though not an altogether satisfactory one from Mysore's standpoint. It wrote: "Only the probability of a lack of federal resources at the outset prevents our recommending their immediate abolition. We definitely propose that they should be wiped out *pari passu* with the Provincial contributions. Meanwhile, there seems to us to be certain cases in which real hardship is inflicted by the relative magnitude of the burden of the cash contributions; and we suggest that it might be possible, without excessive loss being thrown on the Federal Government, to remit at once that part of any contribution which is in excess of five per cent of the total revenues of a State." What does the Percy Committee do? It apparently ignores both these suggestions; they do not exist so far as that committee is concerned. Perhaps, it assumes that the future Federal Government, like the present Government of India, will have some sort of divine right to these political payments and that they may as well continue for all time.

As you know, the duty of settling this question of tributes has been entrusted to the Davidson Committee, a committee which, we may be sure, will approach the task in a just and statesmanlike spirit, and relieve this State at last

of a crushing burden. I think we may well look forward now to an early materialisation of our long cherished hope.

Apart, however, from the question of tributes, there are several matters of importance arising out of the report of the Percy Committee which demand our attention.

It recommends that the Federal Government should assume responsibility for the whole of the pre-federation debt which, in its opinion, would be fully covered by the assets to be taken over. It suggests that the whole of the civil pension charges of the Government of India should become a federal liability, although a considerable part of these charges should, theoretically, be distributed between the several Provinces. The North-West Frontier Province and the Chief Commissioners' Provinces are to receive a subvention amounting to Rs. 2½ crores from federal revenues, presumably on the ground that they are too small to meet the cost of their administration.

Having thus dealt with the main items constituting "central charges" and spread them over all the units, including the States, the committee does not think it worth while to separate out of the federal budget such minor items of expenditure as may be incurred mainly on behalf of the provinces.

In the result, the Federal Budget of the future will comprise every item of expenditure (including past obligations) incurred by the Government of India, either for the country as a whole or on behalf of the provinces only. On the receipt side, it will present all sources of revenue now available to the Central Government with the exception (if our anticipations prove correct) of tributes from the States. Income-tax receipts from British India will be subject to re-distribution among the provinces to the extent permitted by the amount of the federal surplus.

I may also draw your attention to the committees' recommendations relating to the distribution, between the Federation and the States, of fiscal powers and sources of revenue.

This is not the occasion for dealing with the proposals in detail. We may, however, consider for the present the total effect of the scheme and see whether the price of union demanded of us is, on the whole, just and reasonable.

I understand that, in connection with a resolution tabled for discussion at this meeting, the members of the Assembly wish to express their views on this important matter, and I shall, therefore, refrain from forestalling them with any comments of my own at this stage.

The Dewan's Address over, KHAN BAHADUR MAHOMED ABBAS KHAN, on behalf of the Assembly, congratulated Dharmaprakasa D. Banumiah and Mr. M. Ramaswamy on the titles of Rao Bahadur and Rao Sahib, respectively, conferred on them by the Government of India for the public services rendered by them.

MR. D. S. MALLAPPA said that Mr. Banumiah was famous for his charitable acts and commended the action of the Government in obtaining recognition of his philanthropic work at the hands of the Imperial Government. He also thanked the Government for obtaining the title of Rao Sahib to Mr. M. Ramaswamy and congratulated both the gentlemen on the titles conferred on them.

MR. H. C. DASAPPA then spoke as follows:—

May I also crave your indulgence to express our sincerest congratulations to Sahucar Dharmaprakasa D. Banumiah who is, I think, the virtual Carnegie of Mysore and whose charities are well known to the people? Practically every good movement of any consequence has his generous support and patronage. I also join my colleagues in congratulating Mr. M. Ramaswamy, an old colleague of mine in some of the local institutions, on the title of Rao Sahib conferred on him for the devoted social service that he has been rendering in the city of Mysore. May I also, Sir, take your permission to say how glad we feel that you have returned from your labours at the Second Round Table Conference? You have, as I once had to state, very boldly pleaded for the place which the Indian States should occupy in the future constitution of India and you have contributed to a very great extent to the orientation of the views of many of the Indian Princes with regard to this question and brought to bear upon this important question a new angle of vision which, if only grasped properly, would greatly help in the working out of the destiny of this motherland of ours. I may also add that the place you have tried to secure for the Indian States in the Federal Constitution is one which should commend itself to the princes and the people alike. Notably, your liberal views with regard to the representation of the minorities and with regard to the representation of the depressed classes of British India and Indian India, are a sufficient lead to the rest of British India. If you have courageously advocated the cause of the Indian States in the making of a new All-India Federation, you have even more boldly and persuasively pleaded for the wiping away of the obsolete and iniquitous subsidy which has been weighing

down on the finances of some of the Indian States. It does not matter how righteous, how good, a cause may be; it requires nevertheless a strong and capable advocate, and that part of your brief you have discharged in a manner which, I think, would win the approbation of all people alike and I only hope that your efforts in this direction will prove successful ere long and that this State will be placed on the high road of future prosperity without the load of this subsidy which has been the cause of our sad financial situation.

Sir, I have only to say one thing more. There was a critical time recently when Her Highness the Regent had to pass through a severe illness. It has given no small degree of pleasure to His Highness' loyal subjects to see that Her Highness has got over that illness and she has been restored to her former health. We pray that you will be pleased to convey our rejoicings to His Highness the Maharaja and Her Highness the Dowager Maharani.

RAO SAHIB M. RAMASWAMY expressed his grateful thanks to the Government of India for having recognised his humble services, to His Highness and His Highness' Government for putting his case before the Imperial Government and to Messrs. Mahomed Abbas Khan, Mallappa and Dasappa for their kind felicitations.

DHARMAPRAKASA RAO BAHADUR D. BANUMIAH said that he had done nothing very great to deserve the honour conferred on him. If at all he had done anything for the public, it had been viewed too generously by His Highness and the Dewan. He had brought nothing into the world when born and would take nothing with him when leaving it. The little that he might have done was due to the will and the means vouchsafed by God and it was his duty to be grateful for it. His one ambition in life was to serve. He was thankful, however, for the good words spoken about him and for the title graciously conferred on him.

MR. C. K. VENKATARAMAIYA, Kannada Translator to Government, then read out the Kannada translation of the Dewan's Address.

Swearing in of New Members.

The following new members were then duly sworn in:—

1. Mr. G. Girimaji Rao.
2. Mr. Dyavappa Gowda.